

Message Text

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INFO AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
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SUBJECT: HOUSE HEARINGS ON HUNGARIAN TRADE AGREEMENT

1. SUMMARY: THE TRADE SUBCOMMITTEE OF THE HOUSE WAYS AND
MEANS COMMITTEE HELD HEARINGS ON THE HUNGARIAN TRADE AGREE-
MENT ON APRIL 14. CONGRESSIONAL QUESTIONING WAS WIDE
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RANGING, BUT NOT CONTENTIOUS, AND WAS SUPPORTIVE OF THE
AGREEMENT. ONLY ONE WITNESS APPEARED IN OPPOSITION TO THE
AGREEMENT. DISCUSSION DURING THE TWO HOUR HEARING CENTERED
AROUND HUNGARY'S EMIGRATION POLICY, THE POTENTIAL EFFECT OF
THE AGREEMENT ON BILATERAL TRADE, AND THE DANGER OF MARKET
DISRUPTION WITH PARTICULAR ATTENTION TO THE IMPORTATION OF
HUNGARIAN LIGHTBULBS. THE HEARING RECORD WILL REMAIN OPEN

UNTIL APRIL 21 FOR FURTHER STATEMENTS. END SUMMARY

2. THE TRADE SUBCOMMITTEE OF THE HOUSE WAYS AND MEANS COMMITTEE HELD HEARINGS ON THE HUNGARIAN TRADE AGREEMENT ON APRIL 14. CONGRESSMEN VANIK, JONES AND FRENZEL WERE IN ATTENDANCE THROUGHOUT THE HEARING. CONGRESSMEN CONABLE AND FISHER WERE PRESENT DURING MUCH OF THE TWO-HOUR HEARING. THE ADMINISTRATIONS WITNESSES WERE STATE DEPARTMENT COUNSELOR NIMETZ, ACCOMPANIED BY AMBASSADOR KAISER AND DAS BARRACLOUGH; STEPHEN LANDE, STR'S ASSISTANT SPECIAL TRADE REPRESENTATIVE; J. MISHALL GEORGE, ACTING DIRECTOR,

BUREAU OF EAST WEST TRADE, USDOC; AND JOHN RAY, ACTING DEPUTY ASSISTANT SECRETARY, TREASURY. STATEMENTS FROM CONGRESSMEN WEISS AND HARRINGTON WERE ENTERED INTO THE RECORD, ALTHOUGH THOSE TWO WERE NOT IN ATTENDANCE. OTHER WITNESSES WERE:

MAX BERRY, EXECUTIVE DIRECTOR, EAST-WEST TRADE COUNCIL, ALLAN MERKEN, PRESIDENT, ACTING-TUNGSRAM, INC., DR. Z MICHAEL SZAZ, VICE PRESIDENT, AMERICAN FOREIGN POLICY INSTITUTE; WILLIAM BYWA ELECTRI-DENT, INTERNATIONAL UNION OF ELECTRICAL, RADIO, AND MACHINE WORKERS (AFL-CIO), DISTRICT 3; ROBERT MCMENAMIN, VICE CHAIRMAN, US SECTION, HUNGARIAN-UNITED STATES ECONOMIC COUNCIL.
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3. IT WAS AGREED THAT EACH ADMINISTRATION WITNESS WOULD READ A SUMMARY OF HIS PREPARED STATEMENT AND THEN THE ADMINISTRATION REPRESENTATIVES WOULD TAKE QUESTIONS AS A GROUP. NIMETZ' TESTIMONY EMPHASIZED THE FOREIGN POLICY CONTEXT OF THE AGREEMENT AND THE EMIGRATION ISSUE, WITH STR, TREASURY AND COMMERCE HIGHLIGHTING THE SPECIFIC COMMERCIAL BENEFITS. AFTER THE FORMAL STATEMENTS HAD BEEN READ, CONGRESSMAN VANIK BEGAN THE QUESTIONING BY ASKING COUNSELOR NIMETZ FOR FURTHER DETAILS ON HUNGARIAN EMIGRATION PRACTICE. NIMETZ NOTED THAT THE HUNGARIAN LAW IS STRICT BUT THE IMPLEMENTATION OF THAT LAW HAS BEEN FLEXIBLE. HE POINTED OUT THAT WE HAVE ONLY SIX DIVIDED FAMILY CASES, ALL PRESENTED SINCE DECEMBER 1977, AND THAT FOUR OF THESE APPEAR TO BE ON THEIR WAY TOWARD RESOLUTION. HE MENTIONED THE EXCHANGE OF LETTERS IN WHICH THE HUNGARIAN GOVERNMENT ASSURED US THAT IT WOULD CONTINUE TO ACT IN ACCORDANCE WITH THE LETTER AND SPIRIT OF THE HELSINKI FINAL ACT CONCERNING CASES OF EMIGRATION AND WOULD DEAL WITH THEM PROMPTLY, CONSTRUCTIVELY AND WITH GOOD WILL. VANIK THEN ASKED WHETHER THERE IS ANY EVIDENCE OF DISCRIMINATION AGAINST JEWS IN HUNGARY. BOTH NIMETZ AND

AMBASSADOR KAISER RECOUNTED THAT THEY HAD DISCUSSED THIS QUESTION IN DETAIL WITH LEADERS OF THE JEWISH COMMUNITY IN HUNGARY AND HAD BEEN ASSURED THAT THERE IS NO DISCRIMINATION AGAINST THE HUNGARIAN JEWISH COMMUNITY. THE HUNGARIAN GOVERNMENT DOES NOT PUT PRESSURE ON JEWS WHO WISH TO EMIGRATE. VANIK THEN ASKED WHETHER MINORITIES IN HUNGARY ENJOY EQUAL POLITICAL AND CULTURAL RIGHTS. AMBASSADOR KAISER RESPONDED THAT THEY DO. THE AMBASSADOR ALSO COMMENTED THAT OVER THREE HUNDRED THOUSAND HUNGARIANS HAD VISITED THE WEST IN 1977.

4. THE DISCUSSION THEN TURNED TO THE TRADE ASPECTS OF THE AGREEMENT. VANIK ASKED WHETHER THE AGREEMENT WOULD REQUIRE THE TWO COUNTRIES TO APPLY THE GATT RULES TO EACH

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OTHER. BARRACLOUGH RESPONDED THAT IT WOULD, BUT ONLY INsofar AS THE GATT DOES NOT CONFLICT WITH THE TERMS OF THE TRADE AGREEMENT. THE US IS UNABLE TO ESTABLISH FULL GATT RELATIONS BY DISINVOKING GATT ARTICLE XXXV BECAUSE THIS WOULD CONFLICT WITH THE TRADE ACT REQUIREMENT THAT THE AGREEMENT BE REVIEWED ANNUALLY. A LITTLE LATER IN THE QUESTIONING FRENZEL RETURNED TO THIS POINT SAYING THAT HE AND VANIK WOULD LIKE TO FIND A WAY TO PERMIT MFN TO BE EXTENDED FOR A LONGER PERIOD THAN ONE YEAR AT A TIME. HE ASKED FOR THE ADMINISTRATION'S VIEW. NIMETZ SAID THAT THE ADMINISTRATION HAD NOT TAKEN AN OFFICIAL POSITION BUT WOULD BE GLAD TO DISCUSS THE ISSUE WITH THE COMMITTEE. FRENZEL ASKED BARRACLOUGH WHETHER THE RENEWAL ISSUE HAD BEEN A PROBLEM DURING THE NEGOTIATIONS. BARRACLOUGH SAID THAT IT HAD BEEN DISCUSSED, BUT HAD NOT BEEN A PROBLEM BECAUSE THE HUNGARIANS WERE AWARE FROM THE START THAT THE TRADE AGREEMENT WOULD HAVE TO BE NEGOTIATED UNDER THE TERMS OF THE TRADE ACT. AMBASSADOR KAISER ADDED THAT THE SUBJECT WAS FREQUENTLY RAISED WITH HIM BY SENIOR HUNGARIAN OFFICIALS. VANIK ASKED WHETHER THE ADMINISTRATION HAD ANY PLANS TO NEGOTIATE AN AGREEMENT WITH OTHER EASTERN EUROPEAN COUNTRIES. HE WAS TOLD THAT WE DO NOT. NONE HAS EXPRESSED INTEREST IN NEGOTIATING AN AGREEMENT UNDER THE TERMS OF THE TRADE ACT.

5. VANIK ASKED ABOUT SAFEGUARDS. HE WAS TOLD THAT THE AGREEMENT WILL LEAVE ALL EXISTING MARKET SAFEGUARDS IN PLACE AND WILL PROVIDE ADDITIONALLY FOR CONSULTATIONS SHOULD HUNGARIAN EXPORTS BECOME A MARKET DISRUPTION PROBLEM. FRENZEL ADDED THAT ONGOING CONSULTATIONS SHOULD BE THE FIRST LINE OF DEFENSE. VANIK ASKED AT WHAT POINT WE WOULD APPLY QUOTAS TO HUNGARIAN TEXTILES. LANDE SAID THAT WE HAVE NOT SET SPECIFIC QUOTAS, BUT WE WILL CONTINUE TO MONITOR

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IMPORTS FROM HUNGARY AS WE DO IMPORTS FROM OTHER COUNTRIES.

6. PUBLIC WITNESSES BERRY, MERKEN AND MCMENIMAM WERE STRONGLY SUPPORTIVE OF THE AGREEMENT. MCMENIMAM NOTED HIS ONLY RESERVATION WAS THAT IT COULD NOT BE LONGER TERM. SZAZ'S TESTIMONY ALSO ENDORSED THE AGREEMENT AS PROMOTING NATIONAL INDEPENDENCE, POLITICALLY AND

ECONOMICALLY. HE CHARACTERIZED HUNGARY'S HUMAN RIGHTS AND EMIGRATION RECORD IN QUALIFIED NEGATIVE TERMS, STATING THAT HUNGARY'S EMIGRATION RECORD IS BETTER THAN THAT OF POLAND AND ROMANIA AND ITS HUMAN RIGHTS RECORD BETTER THAN ROMANIA - AND BOTH ALREADY HAVE MFN.

7. THE QUESTION OF TUNGSRAM LIGHTBULB IMPORTS AS A THREAT TO THE US MARKET WAS A MAJOR FOCUS OF TESTIMONY AND QUESTIONING OF MERKEN AND BYWATER. MERKEN PRAISED THE TUNGSRAM/ACTION JOINT VENTURE, WHICH WILL PRODUCE TUNGSRAM BULBS IN THE US, AS SUPPORTIVE OF FOREIGN CAPITAL INVESTMENT IN THE US AND INCREASED OPPORTUNITIES FOR US LABOR. HE ADDED THAT IT WOULD FACILITATE A NEW DOMESTIC MANUFACTURER ENTERING THIS HIGHLY CONCENTRATED INDUSTRY. MERKEN NOTED THAT HUNGARY HAD A LIMITED PRODUCTION CAPACITY AND TUNGSRAM WOULD NOT INCREASE LIGHTBULB EXPORTS TO THE US. BYWATER STATED THAT TUNGSRAM BULB IMPORTS THREATEN AMERICAN LABOR, THAT THERE IS NO GUARANTEE THESE IMPORTS WILL NOT INCREASE AND THAT THERE IS NO WAY TO DETERMINE "FAIR VALUE" OF THE PRODUCTS OF A COMMUNIST COUNTRY. ON BEHALF OF THE AFL-CIO HE URGED CONGRESS TO REJECT THE AGREEMENT. REP. FISCHER, NOTING HIS OWN GENERAL CONCERN ABOUT DUMPING, SOUGHT SPECIFIC EVIDENCE OF DUMPING BY TUNGSRAM FROM BYWATER WHO OFFERED TO SUBMIT A FURTHER STATEMENT.

8. WE ARE POUCHING TO BUDAPEST A COMPLETE SET OF THE STATEMENTS SUBMITTED BY ADMINISTRATION AND PUBLIC
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WITNESSES. CHRISTOPHER

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